



DCMC Small Business Goals

Subcontracting Performance Measures

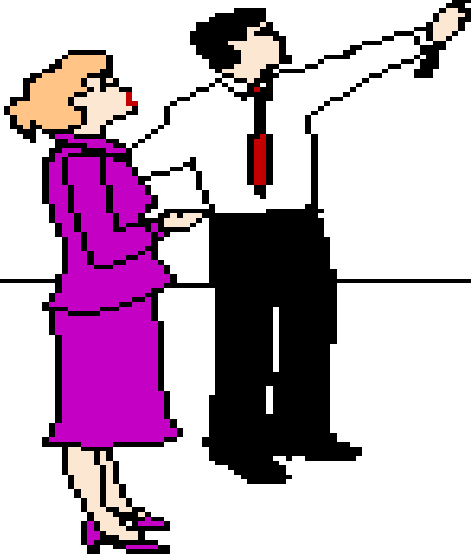
28 October 1999

Sydney Pope
Deputy Director, Supplier Risk Man



Agenda

- Mission
- Goals
- Comprehensive Test Program
- Performance Measures
- Future Actions





Mission: DCMC Small Business

- DLAD 9100.1, Para 4, defines DCMC Roles and Responsibilities
 - DCMC Commander, “Ensures effective, efficient implementation...”
 - District Commanders, “Manages small business program”
- FAR 19.705-4 (c) “Subcontracting goals should be set at a level that the parties reasonably expect can result from the offeror expending good faith efforts to use small business, HUBZone small business, small disadvantaged business, and women-owned small business subcontractors to the maximum practicable extent.”



Mission: DCMC Small Business

Subcontracting Plan Types

- Individual or Contract-by-Contract
- Commercial
- Master
- Comprehensive (DCMC negotiates most of these)



Mission: DCMC Small Business

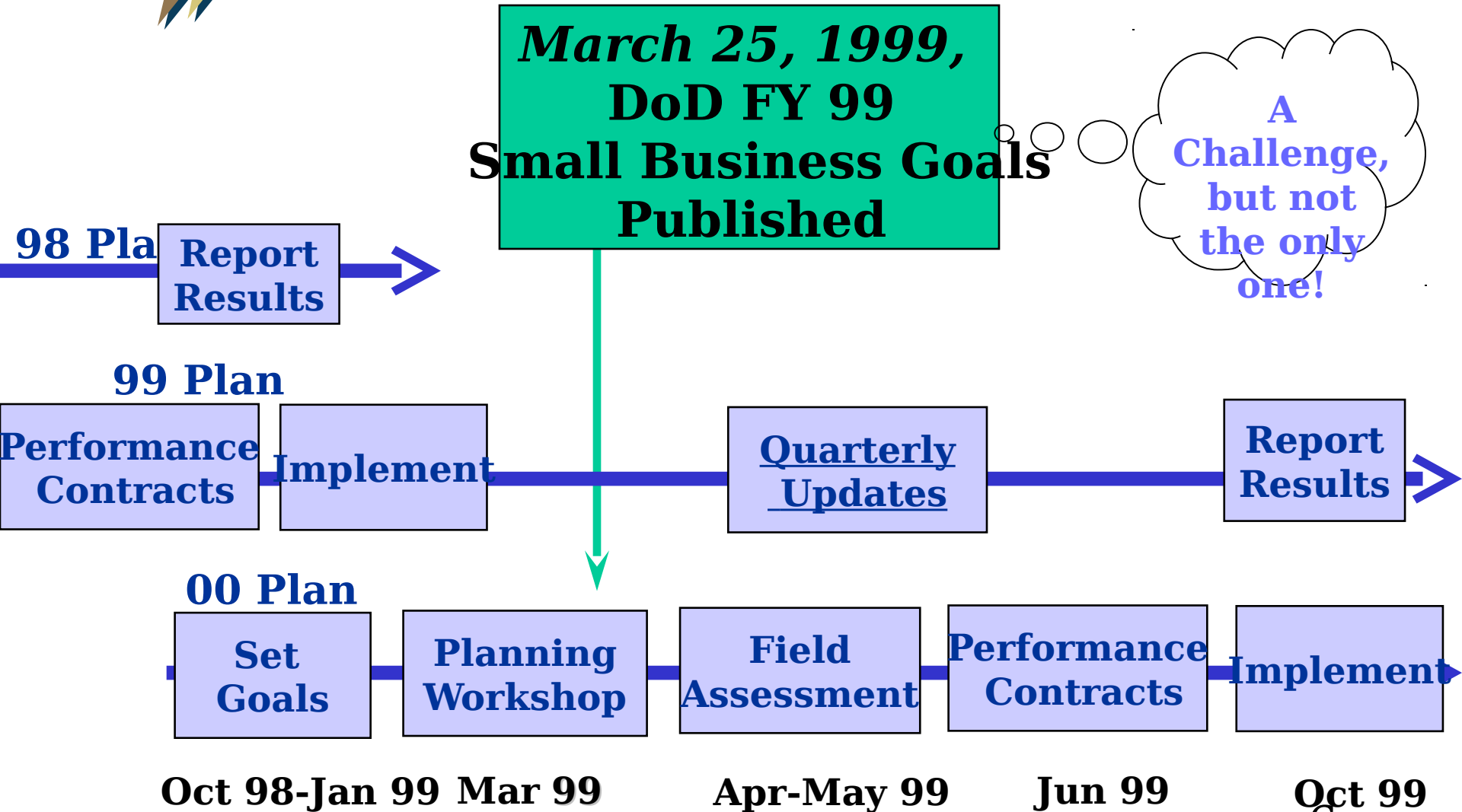
Comprehensive Subcontracting Plan Test Program

- PDUSD (A&T) Sep 2, 98 Memos,
Comprehensive Subcontracting Test Program
Role
 - CAEs encouraged to delegate authority to
DCMC to negotiate
 - DDAS delegated authority District Associate
Directors to coordinate on ACO position

DCMC Assigned Mission



Small Business Goals vs. DCMC Planning





New Small Business Rules

<10% of
SDBs
certified!

- SDB Certification Rule effective Oct 1, 99
- Converting small business size standards from standard industrial classification (SIC) to North American Industry Classification System (NAICS), Oct 1, 00.
- Aug 16, 99, President signs "Veterans Entrepreneurship and Small Business Development Act of 1999," Public Law 106-50 (plan on 2%) http://www.sba.gov/VETS/vets_guidelines.html



Goals & Objectives

Small Business Procurement
Goals, OFPP Policy Ltr 99-1, Oct 8,
99

➤ Small Business

23%

➤ Disadvantaged Business

5%

➤ Women-Owned Business

5%

➤ HUBZone annual goals with the Small
Business Administration around Jan-
1.5%

Department / Agency negotiates
annual goals with the Small
Business Administration around Jan-
Feb time.

<http://library.whitehouse.gov/CIMR/reg/ofpp99-1.html>

Up
from
20%

Avg.
1.84%
in 5 yr.



Goals & Objectives

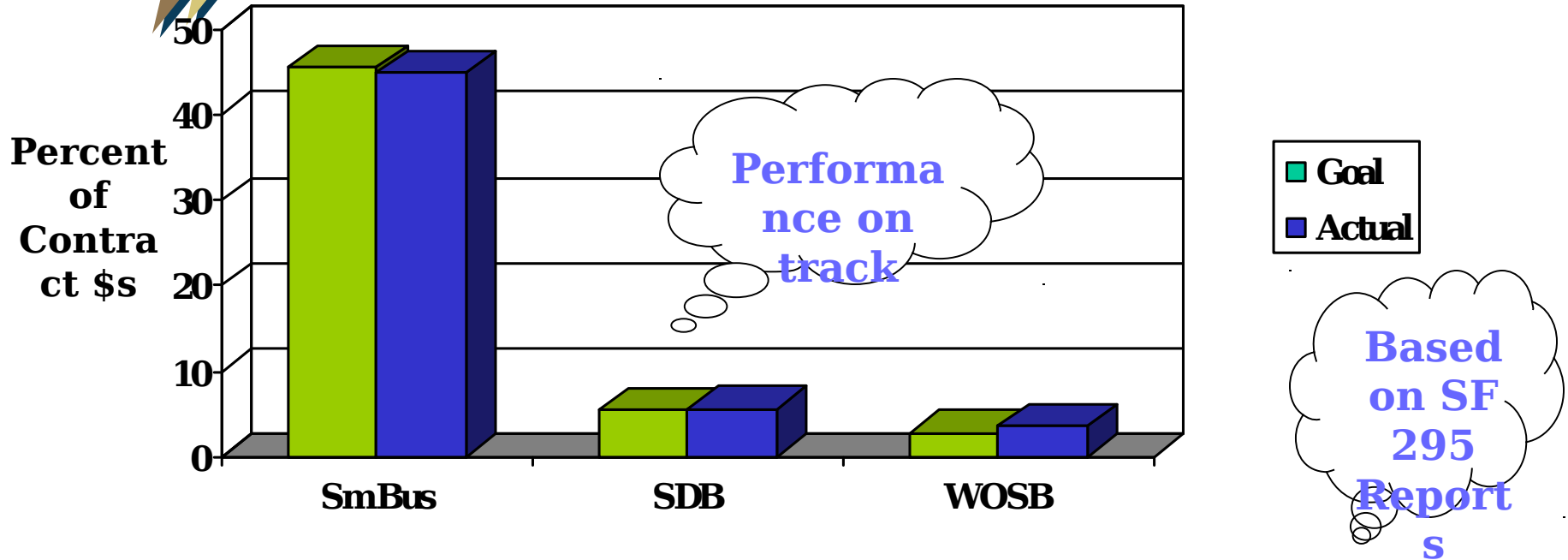
DLA FY 99 GOALS Subcontracting

Prime

- Small Business: 41.8%
40.0%
- Disadvantaged Business 5.0%
5.0%
- Women-Owned Business 5.0%
5.0%
- Historically Black College/Univ. 5.0%
0%
- FAR 19.704 (a) Each subcontracting plan must include
- HUBZone for using small business, HUBZone small business,
0% small disadvantaged business, and women-owned small business concerns as subcontractors
- SADBUE Fed Notice requires Contractor Goal on Comprehensive Plans in FY 00



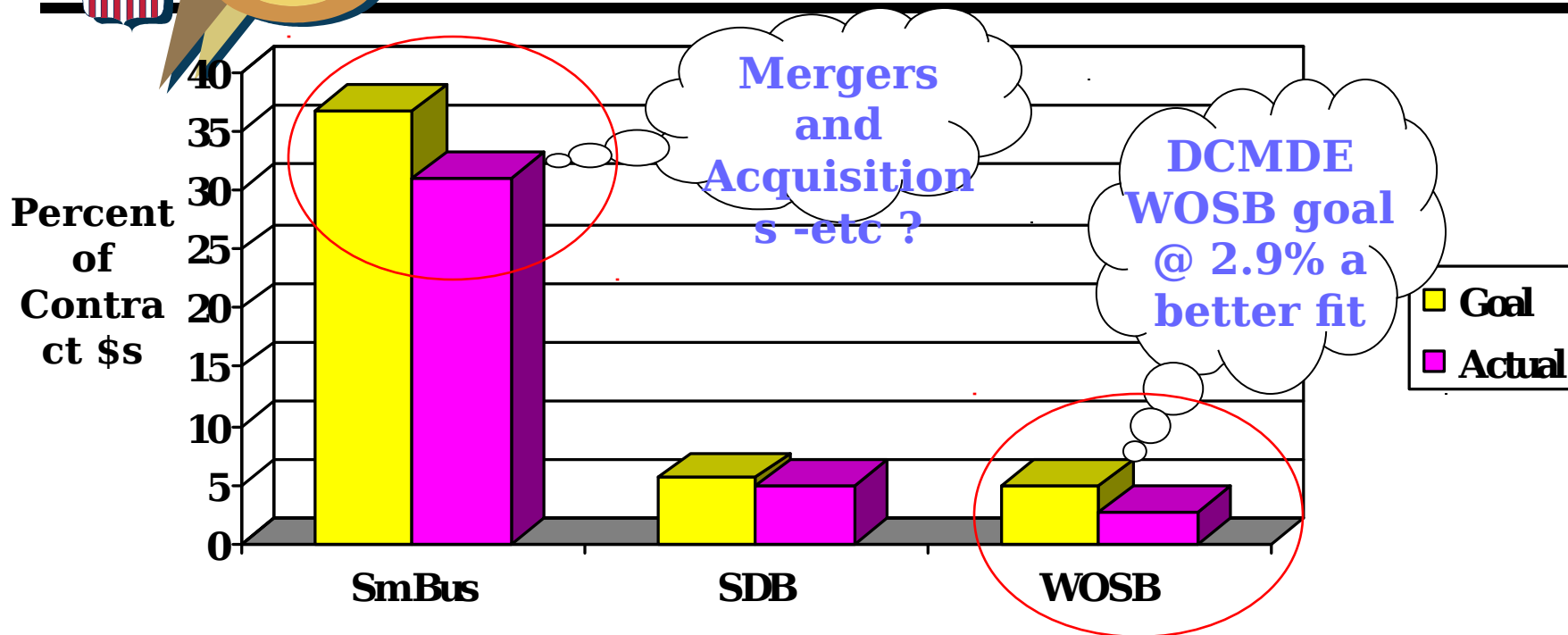
DCMDE FY 99 Subcontracting



| FY 99 Program DCMDE | Goal % | Goal \$ | 1st half Actual % | 1st half Actual \$ |
|-----------------------------|-------------|-------------------------|-------------------|-------------------------|
| Small Business | 45.5% | \$8,297,201,664 | 44.8 | \$5,246,080,000 |
| Small Disadvantaged | 5.5% | \$1,002,958,433 | 5.6 | \$655,760,000 |
| Women Owned | 2.9% | \$528,832,634 | 3.6 | \$421,560,000 |
| Total Contracting \$ | 100% | \$18,235,608,053 | 64% | \$11,710,000,000 |



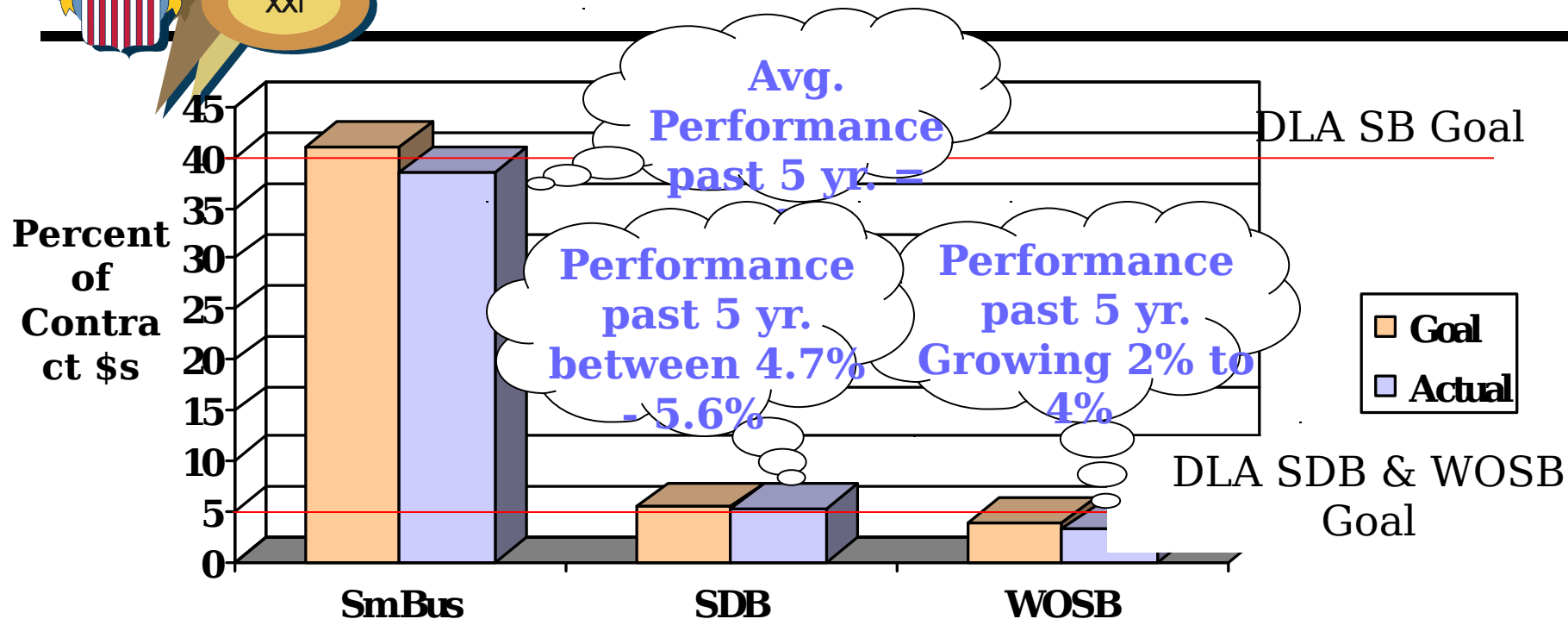
DCMDW FY 99 Subcontracting



| FY 99 Program DCMDW | Goal % | Goal \$ | 1st half Actual % | 1st half Actual \$ |
|-----------------------------|-------------|-------------------------|-------------------|------------------------|
| Small Business | 36.8% | \$6,982,500,000 | 31.0% | \$3,045,706,870 |
| Small Disadvantaged | 5.6% | \$1,062,100,000 | 5.0% | \$490,859,203 |
| Women Owned | 5.0% | \$950,000,000 | 2.8% | \$279,468,506 |
| Total Contracting \$ | 100% | \$19,000,000,000 | 52% | \$9,821,846,546 |



DCMC Subcontracting



| FY 99 Program DCMC | Goal % | Goal \$ | 1st half Actual % | 1st half Actual \$ |
|-----------------------------|-------------|-------------------------|-------------------|-------------------------|
| Small Business | 41.0% | \$15,279,701,664 | 38.5% | \$8,291,786,870 |
| Small Disadvantaged | 5.5% | \$2,065,058,433 | 5.3% | \$1,146,619,203 |
| Women Owned | 4.0% | \$1,478,832,634 | 3.3% | \$701,028,506 |
| Total Contracting \$ | 100% | \$37,235,608,053 | 58% | \$21,531,846,546 |



Comprehensive Plan Test Program

**14 out of 19
FY 00 plans in
effect as of
today**

FY 99 Comprehensive Subcontracting Plan Test Program

➤ Represents 37% of DoD Subcontracting \$ (55% in DCMDW)

➤ DCMC negotiated & administering 19 of 23 plans

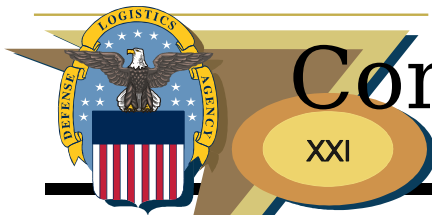
➤ DCMC contracting officers negotiate annual goals/plan

➤ DCMD associate directors review and coordinate

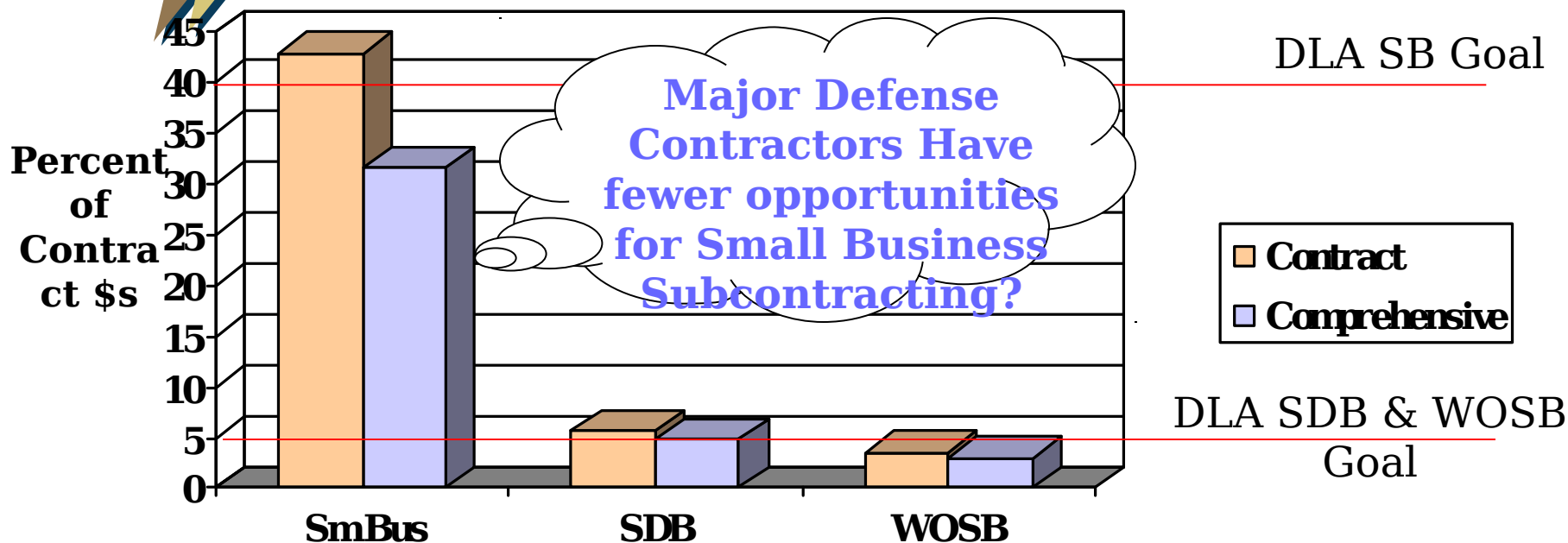
➤ Progress tracked via SF 295 data and surveillance

**Lock Mart
Sunnyvale,
Rockwell Collins
and Litton not
included**

**Honeywell
dropped out
of Program**



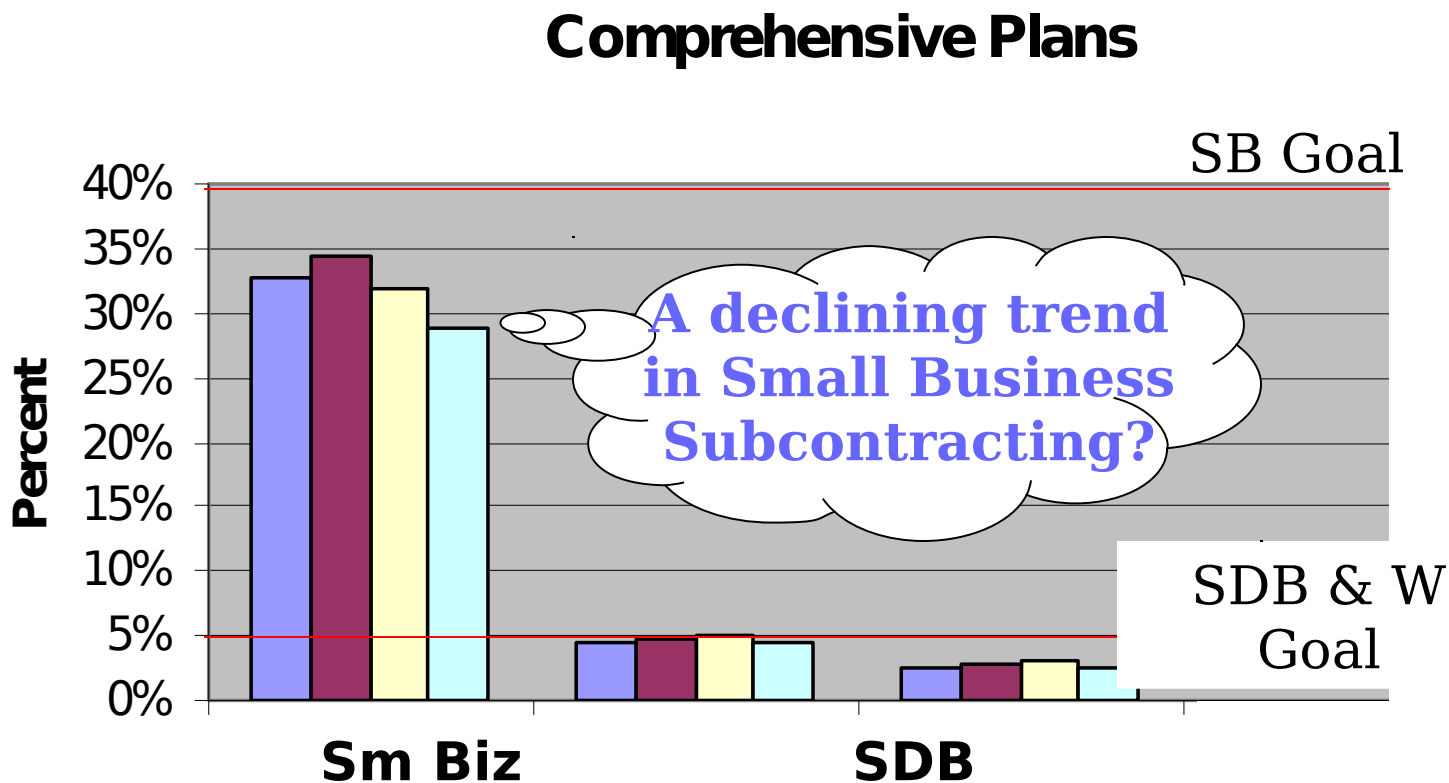
Comprehensive Plan Test Program



| FY 99 Program DCMC | Contract-by-Contract | | Comprehensive | |
|-----------------------------|----------------------|-------------------------|-------------------|------------------------|
| | 1st half Actual % | 1st half Actual \$ | 1st half Actual % | 1st half Actual \$ |
| Small Business | 42.8% | \$5,678,508,896 | 31.6% | \$2,613,277,974 |
| Small Disadvantaged | 5.6% | \$745,977,396 | 4.8% | \$400,641,807 |
| Women Owned | 3.5% | \$463,637,919 | 2.9% | \$237,390,587 |
| Total Contracting \$ | 62% | \$13,253,743,290 | 38% | \$8,278,103,256 |



Comprehensive Plan Test Program



| <u>Year</u> | <u>total</u> | <u>sb%</u> | <u>sb\$</u> | <u>sdb%</u> | <u>sdb\$</u> | <u>wosb%</u> | <u>wosb\$</u> |
|-------------|------------------|------------|-----------------|-------------|---------------|--------------|---------------|
| 1996 | \$6,768,461,000 | 32.7% | \$2,210,425,000 | 4.5% | \$304,412,000 | 2.5% | \$167,214,000 |
| 1997 | \$8,147,507,000 | 34.3% | \$2,791,873,000 | 4.9% | \$395,365,000 | 2.8% | \$229,647,000 |
| 1998 | \$11,349,327,000 | 32.0% | \$3,631,182,000 | 5.0% | \$561,353,000 | 3.1% | \$348,424,000 |
| 1999 | \$7,899,111,000 | 28.7% | \$2,270,786,000 | 4.4% | \$348,199,000 | 2.6% | \$206,197,000 |

1/2 Yr

Based on DIOR information



Comprehensive Plan Test Program

Exceeding Negotiated
Goal

| 1999 Midyear Results | | | | | | | |
|-----------------------------------|------------------------|------------------------|--------------|----------------------|-------------|----------------------|-------------|
| DCMDE Company | TOTAL ACTUAL | SB ACTUAL | SB ACTL % | SDB ACTL | SDB ACTL % | WOSB ACTL | WOSB ACTL % |
| UTC, Hamilton Standard | \$57,613,000 | \$42,461,000 | 73.7% | \$2,444,000 | 4.2% | \$2,946,000 | 5.1% |
| Lockheed Martin Info Sys | \$121,650,000 | \$62,656,000 | 51.5% | \$11,416,000 | 9.4% | \$6,616,000 | 5.4% |
| UTC, Pratt & Whitney (FL) | \$118,665,000 | \$65,266,000 | 55.0% | \$6,933,000 | 5.8% | \$12,077,000 | 10.2% |
| Harris Corporation | \$82,156,000 | \$42,905,000 | 52.2% | \$3,587,000 | 4.4% | \$5,771,000 | 7.0% |
| UTC, Sikorsky Aircraft Corp | \$99,953,000 | \$46,276,000 | 46.3% | \$3,678,000 | 3.7% | \$5,365,000 | 5.4% |
| Northrop Grumman, E,S & S (MD) | \$233,302,000 | \$104,082,000 | 44.6% | \$8,971,000 | 3.8% | \$9,146,000 | 3.9% |
| Lockheed Martin E & M | \$172,773,000 | \$73,320,000 | 42.4% | \$9,348,000 | 5.4% | \$3,904,000 | 2.3% |
| Raytheon System Company | \$1,416,340,423 | \$588,088,000 | 41.5% | \$76,569,420 | 5.4% | \$56,375,272 | 4.0% |
| Textron Systems | \$46,391,000 | \$19,129,000 | 41.2% | \$1,555,000 | 3.4% | \$1,313,000 | 2.8% |
| General Electric Aircraft Engines | \$251,435,000 | \$80,698,000 | 32.1% | \$5,062,000 | 2.0% | \$6,164,000 | 2.5% |
| Lockheed Martin Aero Sys (GA) | \$318,100,000 | \$76,000,000 | 23.9% | \$4,000,000 | 1.3% | \$6,900,000 | 2.2% |
| TOTAL COMP. PLANS | \$2,918,378,423 | \$1,200,881,000 | 41.1% | \$133,563,420 | 4.6% | \$116,577,272 | 3.9% |
| DCMDE GOAL | | | 44.0% | | 5.8% | | 4.3% |
| DCMDW Company | TOTAL ACTUAL | SB ACTUAL | SB ACTL % | SDB ACTL | SDB ACTL % | WOSB ACTL | WOSB ACTL % |
| Bell Helicopter, Textron Inc | \$267,958,791 | \$128,364,767 | 47.9% | 33,033,940 | 12.3% | 13,666,928 | 5.1% |
| Northrop Grumman, ESS, IL | \$66,815,737 | \$32,342,610 | 48.4% | 4,309,861 | 6.5% | 1,141,165 | 1.7% |
| Northrop Grumman, MASD | \$579,319,581 | \$239,231,738 | 41.3% | 29,181,882 | 5.0% | 23,519,520 | 4.1% |
| TRW, S&EG | \$157,735,906 | \$56,515,696 | 35.8% | 13,896,573 | 8.8% | 4,920,941 | 3.1% |
| Rockwell Collins, TX | \$26,326,974 | \$9,608,037 | 36.5% | 1,112,517 | 4.2% | 754,524 | 2.9% |
| Lockheed Martin TAS | \$281,590,567 | \$67,325,282 | 23.9% | 9,327,900 | 3.3% | 8,002,386 | 2.8% |
| Boeing Company | \$3,767,870,356 | \$843,946,214 | 22.4% | 172,121,298 | 4.6% | 65,116,731 | 1.7% |
| Lockheed Martin Vought | \$212,107,344 | \$35,062,630 | 16.5% | 4,144,836 | 2.0% | 3,691,392 | 1.7% |
| TOTAL COMP. PLANS | \$5,359,725,256 | \$1,412,396,974 | 26.4% | 267,128,807 | 5.0% | 120,813,587 | 2.3% |
| DCMDW GOAL | | | 23.4% | | 4.7% | | 2.0% |
| DCMC Combined | | | | | | | |
| TOTAL COMP. PLANS | \$8,278,103,679 | \$2,613,277,974 | 31.6% | \$400,692,227 | 4.8% | \$237,390,859 | 2.9% |
| DCMC GOAL | | | 33.2% | | 5.2% | | 3.3% |

DIOR reports

Note: Textron SDB Goal = 4.9% and Vought SDB Goal = 3%



Comprehensive Plan Test Program

MDW Comprehensive Contractors = 55% of West subcontracting dollars
SB Goal = 23%, but actual 1/2 yr performance = 26.4%
DCMDW FY 99 SB Goal of 36.8% appears unachievable

Actions needed:

- Need consistent method for reporting to DLA and SADBUI
 - Need to reconcile DIOR with District Reporting
 - Need to validate who is in and who is out of program for FY 00
 - Need to track goals and trends
- DFARS 219.705-4 (d) -- SDB goals < 5% must be approved 2 levels up
 - DCMC-O interpretation is DCMC Commander or Deputy has authority



Summary

- Can achieve FY 99 SDB goal, WOSB less likely, but SB unlikely
- SBA new SDB certification rule may make future 5% goals unachievable
- Districts to update / report contractor progress against goals biannually
- Can only influence contract-by-contract subcontracting plans/goals
- DCMC has lead for most of comprehensive subcontracting test program
 - Measure contractor performance against goals and trends
 - Consider negotiated comprehensive goals as indicator for projecting FY 00 subcontracting performance



End of Briefing



Comprehensive Subcontracting Test Program

All FY00 plans in effect with following exceptions/comments

For DCMDE there are three as follows:

- 1) Raytheon----given 60 day extension by DCE for new Corporate-wide Comp. plan.
- 2) Ham. Standard----given 30 day extension because of near term merger.
- 3) Pratt & Whitney (Palm Beach)---plan up and running, however all work transferring to CT.

For DCMDW there are five as follows:

- 4) TRW—plan approved after Oct 19, 99.
- 5) Lockheed Martin Tactical Aircraft Systems—negotiations concluded, signatures in process.
- 6) Lockheed Martin Corp., Missiles and Fire Control-Dallas--NEGOTIATIONS IN PROCESS
- 7) Northrop-Grumman Integrated Systems and Aerostructures Sector--CONTRACTOR REVISING PLAN to include new cost centers forming a NEW SECTOR not previously reported or included in FY99 plan. ACO approved submission of consolidated final fy99 295 to include plan fy00 new sectors. Note: fy99 plan did not include the new cost centers or the NEW SECTOR. NEGOTIATIONS IN PROCESS.
- 8) Boeing-- negotiations concluded, awaiting a revised document. Plan includes a 5% SDB goal, 20% SB goal, and the addition of a HBZ goal; however, CACO approval language unclear on use of forecasts for measuring performance.